

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature		Date	
Abraham & Gellray, P.C. Aaron M. Stearns			

**Township of Duplain  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2004**

Township of Duplain  
Clinton County, Michigan  
March 31, 2004  
BOARD OF TRUSTEES

Kam Washburn	Supervisor
Larry Ott	Clerk
Blanche Woodbury	Treasurer
Matthew Peck	Trustee
Russel Schoch	Trustee

Township of Duplain  
TABLE OF CONTENTS  
March 31, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Group	2-3
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types	5-6
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS	7-13
SUPPLEMENTAL FINANCIAL INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	14-17
SPECIAL REVENUE FUND	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	18
AGENCY FUND	
Statement of Changes in Assets and Liabilities	19

Principals

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Michael T. Gaffney, CPA  
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Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Township of Duplain  
Elsie, Michigan

We have audited the accompanying general purpose financial statements of the Township of Duplain, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include financial activities of the Elsie Public Library (Component Unit Fund), which should be included to conform with accounting principles generally accepted in the United States of America. The effect on the amount of assets, amount of revenues, and change in fund balance for the Component Unit Fund if the omitted component unit had been included, is unknown.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Duplain, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Duplain, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 22, 2004

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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Township of Duplain

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Primary		
	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue (Emergency Services)	Agency Fund (Current Tax Collections)
ASSETS			
Cash and cash equivalents	\$ 68,029	\$ 75,568	\$ 25
Due from other governmental units - local	5,041	4,810	-
Due from other funds	25	-	-
Fixed assets	-	-	-
TOTAL ASSETS	<u>\$ 73,095</u>	<u>\$ 80,378</u>	<u>\$ 25</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 814	\$ -	\$ -
Due to other funds	-	-	25
TOTAL LIABILITIES	814	-0-	25
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balance			
Unreserved - undesignated	<u>72,281</u>	<u>80,378</u>	<u>-</u>
TOTAL FUND EQUITY	<u>72,281</u>	<u>80,378</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 73,095</u>	<u>\$ 80,378</u>	<u>\$ 25</u>

See accompanying notes to general purpose financial statements.

Government	
Account Group	
General Fixed Assets	Totals (Memorandum Only)
\$ -	\$ 143,622
-	9,851
-	25
304,610	304,610
<u>\$ 304,610</u>	<u>\$ 458,108</u>
\$ -	\$ 814
-	25
-0-	839
304,610	304,610
-	152,659
304,610	457,269
<u>\$ 304,610</u>	<u>\$ 458,108</u>



Township of Duplain

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

	Primary Government		
		Special Revenue (Emergency Services)	Totals (Memorandum Only)
	General		
REVENUES			
Taxes	\$ 59,216	\$ 70,459	\$ 129,675
Intergovernmental - State	87,101	-	87,101
Interest	281	93	374
Other	1,521	-	1,521
TOTAL REVENUES	148,119	70,552	218,671
EXPENDITURES			
General government	67,314	-	67,314
Public safety	10,382	64,238	74,620
Public works	50,486	-	50,486
Health and welfare	9,316	-	9,316
Community and economic development	5,340	-	5,340
Recreation and cultural	6,500	-	6,500
Other	5,755	-	5,755
TOTAL EXPENDITURES	155,093	64,238	219,331
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,974)	6,314	(660)
Fund balance, beginning of year	79,255	74,064	153,319
Fund balance, end of year	\$ 72,281	\$ 80,378	\$ 152,659

See accompanying notes to general purpose financial statements.

Township of Duplain

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 53,000	\$ 59,216	\$ 6,216
Intergovernmental - State	91,500	87,101	(4,399)
Interest	500	281	(219)
Other	5,500	1,521	(3,979)
TOTAL REVENUES	150,500	148,119	(2,381)
EXPENDITURES			
General government	80,300	67,314	12,986
Public safety	10,000	10,382	(382)
Public works	58,500	50,486	8,014
Health and welfare	9,650	9,316	334
Community and economic development	24,050	5,340	18,710
Recreation and cultural	6,500	6,500	-0-
Other	5,200	5,755	(555)
TOTAL EXPENDITURES	194,200	155,093	39,107
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,700)	(6,974)	36,726
Fund balance, beginning of year	79,255	79,255	-0-
Fund balance, end of year	\$ 35,555	\$ 72,281	\$ 36,726

See accompanying notes to general purpose financial statements.

<u>Special Revenue Fund (Emergency Services)</u>		
<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 70,307	\$ 70,459	\$ 152
-	-	-0-
-	93	93
-	-	-0-
<u>70,307</u>	<u>70,552</u>	<u>245</u>
-	-	-0-
64,400	64,238	162
-	-	-0-
-	-	-0-
-	-	-0-
-	-	-0-
-	-	-0-
<u>64,400</u>	<u>64,238</u>	<u>162</u>
5,907	6,314	407
<u>74,064</u>	<u>74,064</u>	<u>-0-</u>
<u>\$ 79,971</u>	<u>\$ 80,378</u>	<u>\$ 407</u>

Township of Duplain

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP**

Township of Duplain, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of Township of Duplain (primary government). The component unit (Elsie Public Library) described in Section 2 below should be included in the Township's reporting entity because of the significance of the operational and financial relationship with the Township. The Library's operating activities are excluded from these financial statements, which is not in accordance with accounting principles generally accepted in the United States of America.

Based upon the application of these criteria, the general purpose financial statements of Township of Duplain contain all the funds and account groups, with the exception of the Elsie Public Library, controlled by the Township Board.

2. Discretely Presented Component Unit

The governing body of the Elsie Public Library is a five (5) member board of which three (3) are appointed by the Township Board. The Library's primary purpose is to provide Library services to Township of Duplain residents. The Library financial activity is excluded from these financial statements, which is not in accordance with accounting principles generally accepted in the United States of America (GAAP). This component unit has been unaudited for March 31, 2003 and March 31, 2004, as of the date of issuance of this report.

3. Joint Venture

The Township participates in the following activity, which is considered to be a joint venture in relation to the Township, due to the formation of an organization by an agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Elsie Area Ambulance Service - The Township of Duplain, in conjunction with the Townships of Chapin and Fairfield, has entered into an agreement which created the Elsie Area Ambulance Services, Inc., a Michigan nonprofit Corporation. The Corporation's Board is composed of the Supervisors from each Township. Duplain Township's Supervisor is the president of Elsie Area Ambulance Service, Inc.

Each Township is responsible to contribute annually to the Ambulance Service an amount equal to \$3.50 per resident to cover operational costs and an additional amount equal to \$3.50 per resident to cover the cost of equipment. The Township paid \$9,316 to the Ambulance Service for the year ended March 31, 2004.

Elsie Area Fire Association - Duplain Township, in conjunction with Fairfield and Chapin Townships, and the Village of Elsie has entered into an agreement which created the Elsie Area Fire Association. Each municipality appoints one individual and the fire department appoints one individual at large to the governing body of the Fire Association. The at large member shall not be a member of, or associated with the fire department.

For the year ended March 31, 2004, the Township paid \$2,200 for fire runs and contributed \$5,000 to the Fire Association to cover the cost of equipment purchases.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP - CONTINUED**

3. Joint Venture - continued

The financial activities of the Elsie Area Fire Association are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended March 31, 2004, are available from the Association. As of March 31, 2004, the Association had a fund balance of \$850.

4. Basis of Presentation

The accounts of the Township primary government are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Fund (Emergency Services) - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes.

FIDUCIARY FUND

- a. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

3. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted for the General fund on a departmental (activity) level and the Special Revenue Fund is legally adopted at the fund level through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

4. Cash and Cash Equivalents

Cash consists of checking and savings accounts. Cash equivalents consist of temporary investment in mutual funds.

5. Property Tax

The Township of Duplain bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Property Tax - continued

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by March 1 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied 0.9540 mills per \$1,000 of assessed valuation for general governmental services and 1.4601 mills for emergency services. The total taxable value for the 2003 levy for property within the Township was \$48,178,593.

6. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental and component unit fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental and component fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group not in the governmental funds. As of March 31, 2004, the Township did not have any long-term liabilities expected to be financed from governmental funds.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Township of Duplain

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE C: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

The Township's cash, cash equivalents, and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Cash		
Checking accounts	\$ 142,373	\$ 164,674
Savings accounts	<u>1,249</u>	<u>1,249</u>
	<u>\$ 143,622</u>	<u>\$ 166,923</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$101,249 and the amount of \$65,674 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.



Township of Duplain

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of primary government interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Current Tax Collections	\$ <u>25</u>	Trust and Agency Current Tax Collections General	\$ <u>25</u>

**NOTE E: GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance Apr. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Mar. 31, 2004</u>
Building	\$ 239,341	\$ -	\$ -	\$ 239,341
Land improvements	13,655	-	-	13,655
Furniture and equipment	46,302	-	-	46,302
Cemetery equipment	<u>5,312</u>	<u>-</u>	<u>-</u>	<u>5,312</u>
	<u>\$ 304,610</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 304,610</u>

**NOTE F: RISK MANAGEMENT**

The Township is exposed to various risks of loss including in-land marine; property; and liability for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level and the Special Revenue Fund at the total expenditure level. The approved budgets of the Township have been adopted at the activity level.

Township of Duplain

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Assessor	\$ 12,600	\$ 12,883	\$ 283
Public Safety			
Fire Protection	10,000	10,382	382
Other			
Social security	5,200	5,755	555

**NOTE H: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.), if any.
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Township of Duplain no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, is optional to be implemented no later than the year ending March 31, 2009.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Township of Duplain

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy	\$ 43,500	\$ 45,854	\$ 2,354
Administration fees	9,500	13,362	3,862
Total taxes	53,000	59,216	6,216
Intergovernmental			
State revenue sharing			
Sales tax	91,500	87,101	(4,399)
Interest	500	281	(219)
Other	5,500	1,521	(3,979)
TOTAL REVENUES	150,500	148,119	(2,381)
EXPENDITURES			
General government			
Legislative			
Salaries	4,000	3,780	220
Printing and publishing	3,600	510	3,090
Dues	1,500	-	1,500
Supplies	500	-	500
Telephone	600	602	(2)
Other	500	2,574	(2,074)
Total legislative	10,700	7,466	3,234
Supervisor			
Salary	7,600	7,600	-0-
Supplies	200	-	200
Other	100	-	100
Total supervisor	7,900	7,600	300
Elections			
Salaries	1,000	-	1,000
Contractual services	200	-	200
Supplies	500	-	500
Printing and publishing	200	-	200
Other	200	83	117
Total elections	2,100	83	2,017

Township of Duplain

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Assessor			
Salary	\$ 11,000	\$ 11,000	\$ -0-
Contractual services	950	-	950
Supplies	300	-	300
Other	350	1,883	(1,533)
Total assessor	12,600	12,883	(283)
Clerk			
Salary	11,150	11,050	100
Supplies	100	-	100
Other	250	-	250
Total clerk	11,500	11,050	450
Board of review			
Salaries	750	360	390
Other	50	-	50
Total board of review	800	360	440
Treasurer			
Salary	12,150	12,050	100
Supplies	300	259	41
Printing and publishing	800	-	800
Other	2,200	-	2,200
Total treasurer	15,450	12,309	3,141
Township hall			
Repairs and maintenance	4,000	2,321	1,679
Supplies	100	675	(575)
Total township hall	4,100	2,996	1,104
Cemetery			
Contractual services	1,800	1,800	-0-
Contributions	4,000	2,000	2,000
Other	550	360	190
Total cemetery	6,350	4,160	2,190

Township of Duplain

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Other			
Contracted services	\$ 3,300	\$ 1,650	\$ 1,650
Insurance	5,500	4,921	579
Miscellaneous	-	1,836	(1,836)
Total other	8,800	8,407	393
Total general government	80,300	67,314	12,986
Public safety			
Fire protection	5,000	5,382	(382)
Fire equipment contribution	5,000	5,000	-0-
Total public safety	10,000	10,382	(382)
Public works			
Street lights	135	129	6
Highways, streets, and bridges			
Repairs and maintenance	52,565	44,821	7,744
Drains			
Drains at large	5,800	5,536	264
Total public works	58,500	50,486	8,014
Health and welfare			
Contractual services	9,650	9,316	334
Community and economic development			
Salaries	24,050	5,340	18,710
Recreation and cultural			
Parks and recreation contribution	3,000	3,000	-0-
Library contributions	3,500	3,500	-0-
Total recreation and cultural	6,500	6,500	-0-

Township of Duplain

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Other			
Social security	\$ 5,200	\$ 5,755	\$ (555)
TOTAL EXPENDITURES	189,200	155,093	34,107
EXCESS OF REVENUES (UNDER) EXPENDITURES	(38,700)	(6,974)	31,726
Fund balance, beginning of year	79,255	79,255	-0-
Fund balance, end of year	<u>\$ 40,555</u>	<u>\$ 72,281</u>	<u>\$ 31,726</u>

Township of Duplain

Special Revenue Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended March 31, 2004

Emergency Services

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 70,307	\$ 70,459	\$ 152
Interest	-	93	93
TOTAL REVENUES	70,307	70,552	245
EXPENDITURES			
Public safety			
Contracted services	64,400	64,238	162
EXCESS OF REVENUES OVER EXPENDITURES	5,907	6,314	407
Fund balance, beginning of year	74,064	74,064	-0-
Fund balance, end of year	\$ 79,971	\$ 80,378	\$ 407



Township of Duplain

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance Apr. 1, 2003	Additions	Deductions	Balance Mar. 31, 2004
ASSETS				
Cash	\$ 97	\$ 1,350,540	\$ 1,350,612	\$ 25
LIABILITIES				
Due to other funds				
General Fund	\$ 97	\$ 50,856	\$ 50,928	\$ 25
Emergency Services	-	66,499	66,499	-0-
Due to other governmental units				
County				
State Education Tax	-	238,555	238,555	-0-
Other	-	268,827	268,827	-0-
Ovid-Elsie Schools	-	486,565	486,565	-0-
St. Johns Schools	-	40,448	40,448	-0-
Clinton County RESA	-	166,121	166,121	-0-
Village of Elsie Downtown Development Authority	-	29,021	29,021	-0-
Due to individuals and agencies	-	3,648	3,648	-0-
TOTAL LIABILITIES	\$ 97	\$ 1,350,540	\$ 1,350,612	\$ 25

#### Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

## REPORT ON INTERNAL CONTROL

To the Members of Township Board  
Township of Duplain  
Elsie, Michigan

We have audited the general purpose financial statements of Township of Duplain as of and for the year ended March 31, 2004, and have issued our report thereon dated June 22, 2004.

In planning and performing our audit of the general purpose financial statements of Township of Duplain for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control.

However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Township of Duplain's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

#### GENERAL LEDGER

During the course of our audit, it was noted that the Township Clerk records the receipts and disbursements amounts in a ledger book, which does not provide year-to-date information for revenues and expenditures by account. The ledger does maintain the cumulative cash balance but the fund balance account is not being utilized in the ledger book (i.e., only one (1) side of the accounting entry is being recorded).

We recommend the Township resume the use of "QuickBooks" accounting software, which was purchased and implemented in the 2003 fiscal year. QuickBooks will provide the Township a double-entry system of accounting, which will strengthen and improve internal control over the financial reporting process.

#### COMPONENT UNIT FINANCIAL ACTIVITY

The financial activity of the component unit of the Township of Duplain (Elsie Public Library) has not been included within these financial statements. The Library's financial activity and accounting records were unauditable at the time our audit fieldwork was conducted for the Township. The Library has not been audited since the year ended March 31, 2002. This issue was noted and reported in our audit comments last year.

We recommend the Township Board monitor the financial activities and timeliness of the Library's financial reporting in an effort to assure that the Library's financial activity is included and discretely presented as a component unit of Duplain Township.

## COMPONENT UNIT AGREEMENT

During our review of the potential component unit, Elsie Public Library, it was noted there was no written formation document in place establishing the Library and its various functions (i.e., separate Board, etc.) and the responsibilities the Township would have related to the Library. Public Act 24 of 1989 requires that this written formation document be in place. This issue had been noted and reported in our audit comments last year.

We recommend the Township, in conjunction with the Elsie Public Library Board, establish a written formation document as required by Public Act 24 of 1989.

## BUDGETS

As noted in the annual financial statements, some of the budgeted activities of the Township exceeded the amounts appropriated in the General Fund. The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated.

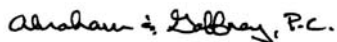
We recommend the Township monitor expenditures against the adopted budgets on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

A material weakness is a condition in which the design or operation of one (1) or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions referred to above are believed to be material weaknesses.

This report is intended solely for the use of management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 22, 2004